DEPARTMENT OF INSURANCE
STATE OF NORTH DAKOTA

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Insurance Commissioner

**<u>Long Term Care Partnership Programs – General Information</u>**

I. Under these programs, state governments modify the rules of their Medicaid programs to allow applicants who have purchased long-term care insurance policies that meet certain requirements to qualify for Medicaid benefits while retaining assets that they would normally be required to spend on care.
   A. Modifying state Medicaid eligibility rules can provide a financial incentive for the purchase of these LTCI policies.
   B. The purpose is to increase the number of people covered by private long-term care insurance and so reduce the number who ultimately will rely on Medicaid.
   C. The word "partnership" refers to the collaboration between the public sector (state government) and the private sector (insurance companies) in funding long-term care needs.

II. The "certain requirements" that a long-term care insurance policy must meet in order to qualify for the Partnership Program include:
   A. <u>General Requirements</u>
      1. The policy must be a federally tax-qualified policy.
      2. The policy must be issued after the effective date of the State Medicaid Plan Amendment (January 1, 2007 in North Dakota).
      3. The insured must be a resident of the state sponsoring the particular Partnership Program when coverage first becomes effective.
   B. <u>Consumer Protection Requirements</u> – These are listed in the NAIC Model Act and Model Regulation, already adopted by most states (North Dakota adopted in 2003 Legislature), and include consumer protection provisions in the areas of:
      1. Documentation and disclosure;
      2. Benefits;
      3. Exclusions and limitations;
      4. Renewal;
      5. Replacement;
      6. Termination of coverage;
      7. Claims; and
      8. Sales and marketing.
   C. <u>Inflation Protection Requirements</u> – These are based on the insured's age when the LTCI policy becomes effective, and includes:
      1. Individuals age 60 or younger must have "annual compound inflation protection".
      2. Individuals at least 61 but younger than 76 must have some form of inflation protection (compound or simple).
      3. Individuals age 76 or older must be offered inflation protection, but they are not required to purchase it.

III. Caveats
   A. Long-term care insurance should be sold because there is a need for the insurance, not because of a Partnership Program. Those needs include:
      1. Ability to pay for future long term care expenses.
      2. Ability to preserve retirement assets for their intended purpose.
      3. Reduce financial and emotional burden of long term care on family members.

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B. The Partnership Program can be changed or discontinued in the future.
C. If a person who purchases a long-term care insurance policy that qualifies for the Partnership Program subsequently changes the coverage provided by that policy, it may no longer qualify for the Partnership Program.
D. The requirements for a long-term care insurance policy to qualify for the Partnership Program (for example, the inflation protection requirement) may not “fit” a particular applicant’s need, so adding it with it’s corresponding additional cost may not be an appropriate sale for that client.
E. Suitability requirements for the sale of a long-term care insurance policy apply whether or not it is intended to qualify for a Partnership Program. Not everyone who needs a long-term care insurance policy necessarily needs one that qualifies for the Partnership Program.
F. If replacement of existing long-term care insurance is being considered in the purchase of a new LTCI policy, there are underwriting and higher age premiums to be carefully considered. Replacement regulations will apply.